

# **ADAMS STATE UNIVERSITY**

## **ATHLETICS DEPARTMENT STATEMENT OF REVENUES AND EXPENSES**

### **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES IN ACCORDANCE WITH NATIONAL COLLEGIATE ATHLETIC ASSOCIATION BYLAW 6.2.3.1**

**Fiscal Year Ended June 30, 2019**



**Wall,  
Smith,  
Bateman** Inc.  
Certified Public Accountants

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**INDEPENDENT ACCOUNTANTS' REPORT ON THE  
APPLICATION OF AGREED-UPON PROCEDURES**



Wall,  
Smith,  
Bateman Inc.

Dr. Cheryl D. Lovell, PH.D.  
President, Adams State University  
208 Edgemont Boulevard  
Alamosa, CO 81101

Members of the Legislative Audit Committee  
Denver, CO

Dear Dr. Lovell:

We have performed the procedures enumerated below, which were agreed to by the Office of the State Auditor and the president of Adams State University (the University) solely to assist you in evaluating whether the accompanying Adams State University Athletics Department Statement of Revenues and Expenses is in compliance with the National Collegiate Athletic Association (“NCAA”) Bylaw 6.2.3.1 for the year ended June 30, 2019. The University’s management is responsible for the Adams State University Athletics Department Statement of Revenues and Expenses (the Statement) and the Statement’s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The results of the work performed are described in the attachment to the report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Adams State University Athletics Department Statement of Revenues and Expenses. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The procedures and associated results are detailed in the addendum to this report. Exceptions noted are due to deficiencies in internal control over the NCAA financial reporting. Maintaining appropriate financial information is an essential part of the University’s overall NCAA compliance.

This report is intended solely for the information of the Legislative Audit Committee, the Office of the State Auditor, and Adams State University, and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

January 10, 2020

**Certified Public Accountants**

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**ADAMS STATE UNIVERSITY  
ATTACHMENT TO NCAA AGREED-UPON PROCEDURES  
RELATED TO THE STATEMENT OF REVENUES AND EXPENSES**

We obtained the Adams State University Athletics Department Statement of Revenues and Expenses (the Statement) as of June 30, 2019, prepared by management (page 11) and applied procedures as detailed throughout this report.

The procedures that we performed and the results of our testing are as follows:

**AFFILIATED AND OUTSIDE ORGANIZATIONS:**

1. Adams State University has identified the Adams State University Foundation (the “Foundation”) as the sole intercollegiate athletics-related affiliated, outside organization. We obtained a listing of expenses paid during the reporting period by the Foundation on behalf of the University and compared the amounts to the revenues reported by the College.

We noted expenses of approximately \$485,000 paid by the Foundation, as reported in the Statement. All expenses were reported as other operating rather than identifying the specific category within the report.

2. We obtained and reviewed the Foundation’s audited financial statements and any reports to management regarding matters related to internal control structure for the year ended June 30, 2019. There were no internal control deficiencies noted.

**REVENUES:**

- We compared and agreed each operating revenue category greater than 4% of total revenues reported in the statement during the reporting period to the University’s general ledger or supporting schedules that agree to the general ledger provided by the University, as detailed throughout this report.
- We compared and agreed a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation as detailed in the following respective revenue categories.
- We compared each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. There were no variations greater than 10%.

**Ticket Sales**

1. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

**Student Fees**

2. We compared and agreed student fees reported by the University in the Statement to the reporting of student enrollments during the same reporting period and recalculated totals.

We noted a variance of \$15,120 (3.3% of student fees reported in the Statement) between the student fees we recalculated using the total number of credit hours of student enrollment reported compared to the student fees reported in the Statement. However, as our recalculation is based on data obtained at a certain point in time, it does not include variables, such as withdrawals, that may have an effect on the actual fees assessed.

3. We obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics programs.

We compared and agreed five student accounts athletic fee charges to supporting documentation without exception.

4. Not applicable, as the University's athletics department does not report that an allocation of student fees should be countable as generated revenue.

### **Direct State or Other Governmental Support**

5. We inquired with management regarding direct state or other governmental support recorded during the reporting period. The University represented that no direct state or other governmental support was received.

### **Direct Institutional Support**

6. We compared the direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculated totals.

We noted scholarships were overstated by \$101,254 due to the overstatement in athletic aid discussed in step 32. The University corrected the overstatement.

### **Transfers Back to Institution**

7. We inquired with management regarding transfers back to the University recorded during the reporting period. The University represented that no transfers back to the University from the athletics department occurred.

### **Indirect Institutional Support**

8. We compared the indirect institutional support recorded by the institution during the reporting period with the cost allocation detail and recalculated the totals, without exception.

### **Guarantees**

9. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.
10. Not applicable.

## **Contributions**

11. We reviewed the University's detailed accounting records to identify any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions ( $\$626,056 \times 10\% = \$62,605$ ) received for intercollegiate athletics during the reporting periods. We identified two such contributions in the amounts of \$237,602 and \$225,000. We obtained and reviewed supporting documentation and recalculated totals.

Upon review we noted that the \$225,000 contribution was reported twice on the Statement as a Foundation revenue and as a University revenue. The University corrected the overstatement.

## **In-Kind**

12. We inquired with management regarding in-kind support recorded during the reporting period. The University represented that no in-kind was received, besides contributions, that were made as a result of a licensing or sponsorship agreements reported in other categories of the Statement. However, during procedures over contributions we identified in-kind sponsorship revenue reported by the Foundation totaling \$93,750, which were not properly recorded on the Statement. The University corrected the Statement by including the in-kind.

## **Compensation and Benefits Provided by a Third-Party**

13. We inquired with management regarding compensation and benefits provided by a third-party recorded during the reporting period. The University represented that no compensation and benefits provided by a third-party were received.

## **Media Rights**

14. We inquired with management regarding agreements related to the University's total media (broadcast, television, radio) rights received by the University or through their conference offices. The University represented that there was no participation in the aforementioned agreements during the reporting period.
15. Not applicable.

## **NCAA Distributions**

16. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category

## **Conference Distributions and Conference Distributions of Bowl Generated Revenue**

17. We inquired with management regarding conference distributions recorded during the reporting period. The University represented that no conference distributions were received.
18. Not applicable

### **Program Sales, Concessions, Novelty Sales, and Parking**

19. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

### **Royalties, Licensing, Advertisements, and Sponsorships**

20. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

21. Not applicable.

### **Sports Camp Revenues**

22. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

23. Not applicable.

### **Athletics Restricted Endowment and Investment Income**

24. We inquired with management regarding athletics restricted endowment and investment income recorded during the reporting period. The University represented that no athletics restricted endowment and investment income were received. However, we identified \$7,071 in our testing of value of athletics dedicated endowments reported by the Foundation. The University corrected the understatement.

25. Not applicable

### **Other**

26. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

### **Bowl Revenues**

27. We inquired with management regarding bowl revenues. The University represented that there were no bowl revenues during the reporting period.

28. Not applicable.

### **EXPENSES:**

- We compared and agreed each expense category greater than 4% of total expenses reported in the Statement during the reporting period to the University's general ledger or supporting schedules that agree to the general ledger provided by the University, as detailed throughout this report.
- We compared and agreed a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation as detailed in the following respective expense categories.

- We compared each major expense account over 10% of the total expenses to prior period amounts and budget estimates. There were no variations greater than 10%.

### **Athletic Student Aid**

29. The University uses NCAA's Compliance Assistance software to prepare athletic aid detail, therefore, we selected a sample of 34 student-athletes (10% of the total student-athletes) from the listing of institutional student aid recipients during the reporting period. Data was captured by the University from the squad list in Compliance Assistance for each sponsored sport.
30. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account, and noted the following:
  - We noted six instances in which the countable aid reported in Compliance Assistance was overstated by a total of \$16,500 in comparison to the related athletic award. The University corrected the overstatement.
  - We noted two instances in which the countable aid reported in Compliance Assistance was understated by a total of \$2,752 in comparison to the related athletic award. The University corrected the understatement.
  - We noted one instance in which the total award aid did not agree to the total award paid for an overpayment of \$240.
  - We noted a dual athlete who was not reported for both sports.
31. Not applicable.
32. We recalculated the totals for each sport and in total; we noted that the total athletic aid reported in Compliance Assistance, did not agree to the University's general ledger, by \$101,254. The University corrected the overstatement.

### **Guarantees**

33. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.
34. Not applicable.

### **Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

35. We obtained and inspected a listing of coaches employed by the University during the reporting period, and selected a sample of five head coaches' contracts including one football coach, a men's basketball coach, a women's basketball coach, a volleyball coach, and a women's soccer coach totaling \$444,277 from the listing.
36. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the Statement during the reporting period, without exception.

37. We obtained and inspected payroll summary registers for the reporting year for each selection. We compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period.

During the procedures we noted that \$103,668 of coaches' salaries and benefits were misclassified to support staff/administrative salaries, benefits and bonuses paid by the University and related entities and that \$36,380 of support staff was misclassified to coaching salaries, benefits, and bonuses paid by the University and related entities for a net understatement of \$67,288. The University corrected the misclassification.

38. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals, without exception.

### **Coaching Compensation and Benefits Paid by a Third-Party**

39. We inquired with management regarding coaching compensation and benefits paid by a third-party. The University represented that all coaches are employed solely by the University.

40. Not applicable.

41. Not applicable.

### **Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities**

42. We selected a sample of five support staff/administrative personnel employed by the University during the reporting period, the salaries and benefits of which totaled \$332,785.

43. We obtained and inspected reporting period summary payroll registers for each selection. We compared related summary payroll registers to the related support staff administrative salaries, benefits and bonuses paid by the University and agreed expenses recorded by the University in the Statement during the reporting period.

During the procedures we noted that \$103,668 of coaches' salaries and benefits were misclassified to support staff/administrative salaries, benefits and bonuses paid by the University and related entities and that \$36,380 of support staff was misclassified to coaching salaries, benefits, and bonuses paid by the University and related entities for a net overstatement of \$67,288. The University corrected the misclassification.

### **Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party**

44. We inquired with management about support staff/administrative other compensation and benefits paid by a third-party. The University represented that all support staff/administrative employees are employed solely by the University.

45. Not applicable.

## **Severance Payments**

46. We inquired with management about severance payments. The University represented that there were no severance payments during the reporting period.

## **Recruiting**

47. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.
48. Not applicable.
49. Not applicable.

## **Team Travel**

50. We obtained and documented an understanding of the University's team travel policies.
51. We compared and agreed the existing University policies to NCAA-related policies without exception.
52. We obtained general ledger details and compared it to the total expenses reported and recalculated totals, without exception.

We selected a sample of ten transactions totaling \$100,916 from the two largest general ledger account balances included in the team travel expense category and compared to supporting documentation and noted the following:

- Six purchases totaling \$1,552 did not have adequate supporting documentation.

## **Equipment, Uniforms, and Supplies**

53. We obtained general ledger details and compared it to the total expenses reported. We selected a sample of ten transactions totaling \$76,421 from the two largest general ledger account balances included in the equipment, uniforms, and supplies category and validated the existence of the transaction, accuracy of recording, and recalculated totals, without exception.

## **Game Expenses**

54. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

## **Fundraising, Marketing, and Promotion**

55. Fundraising, marketing, and promotion expenses related to the athletic department would be processed through the Adams State University Foundation. These expenses are reported as part of other expenses and transfers to University category.

## **Sports Camp Expenses**

56. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

## **Spirit Groups**

57. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

## **Athletic Facility Debt Service, Leases and Rental Fees**

58. We inquired with management regarding athletic facility debt service, leases and rental fee expenses. The University represented that there were no athletic facility debt service, leases and rental fee expenses during the reporting period.

59. Not applicable.

## **Direct Overhead and Administrative Expenses**

60. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

## **Indirect Institutional Support**

61. Tested with revenue section- Indirect Institutional Support.

## **Medical Expenses and Medical Insurance**

62. We inquired with management regarding medical expenses and medical insurance expenses. The University represented that there were no medical expenses or medical insurance expenses during the reporting period.

## **Memberships and Dues**

63. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

## **Other Operating Expenses and Transfer to Institution**

64. We obtained general ledger details and compared it to the total expenses reported. We selected a sample of ten transactions totaling \$35,717 from the two largest general ledger account balances included in other expenses and transfer to institution expense category and validated the existence of the transaction, accuracy of recording, and recalculated and identified the following:

- We noted \$23,930 in student athlete meals which should have been classified as Student Athlete Meals (Non-Travel). The University corrected the misclassification.
- We noted \$399 in student athlete meals which should have been classified as Team Travel. The University corrected the misclassification.

## **Student-Athlete Meals (non-travel)**

65. We inquired with management regarding student-athlete meals (non-travel) expenses. The University represented that there were no student athlete meals (non-travel) expenses during the reporting period. However, we identified \$23,930 in our testing of other operating expenses and

transfers to the Institution that should have been recorded as student-athlete meals (non-travel). The University corrected the misclassification.

### **Bowl Expenses**

66. We inquired with management regarding bowl expenses. The University represented that there were no bowl expenses during the reporting period.

### **OTHER REPORTING ITEMS:**

#### **Excess Transfers to Institution and Conference Realignment Expenses**

67. We inquired with management regarding excess transfers to institution and conference realignment expenses. The University represented that there were no excess transfers to institution and conference realignment expense during the reporting period.

#### **Total Athletics Related Debt**

68. We inquired with management regarding athletics related debt. The University represented that there was no athletic related debt during the reporting period.
69. Not applicable.

#### **Total Institutional Debt**

70. We agreed the total outstanding institutional debt to supporting documentation and the University's audited financial statements without exception.

#### **Value of Athletics Dedicated Endowments**

71. We obtained a schedule of all athletics dedicated endowments maintained by athletics, the institution, and affiliated organizations amounting to \$151,602 and agreed the fair market value in the schedules to supporting documentation, the University's general ledgers, and the audited financial statements, without exception.

#### **Value of Institutional Endowments**

72. We agreed the total fair market value of institutional endowments maintained by athletics, the institution, and affiliated organizations amounting to \$16,840,938 and agreed the fair market value to supporting documentation and the audited financial statements, without exception.

#### **Total Athletics Related Capital Expenditures**

73. We inquired with management regarding athletics related capital expenditures made by athletics, the institution, and affiliated organizations. The University represented that there were no athletic related capital expenditures during the reporting period.
74. Not applicable.

**ADAMS STATE UNIVERSITY ATHLETICS DEPARTMENT**

STATEMENT OF REVENUES AND EXPENSES

FISCAL YEAR ENDING JUNE 30, 2019

	Football	Men's Basketball	Women's Basketball	Men's Track and Cross Country	Women's Track and Cross Country	Other Men's Sports	Other Women's Sports	Non-Program Specific	Total
<b>Revenues</b>									
Ticket Sales	\$ 11,941	\$ 4,112	\$ 4,112	\$ -	\$ -	\$ 863	\$ 2,716	\$ -	\$ 23,744
Student Fees	-	-	-	-	-	-	-	461,404	461,404
Guarantees	-	2,500	9,500	-	-	1,800	-	-	13,800
Contributions	32,918	-	1,450	63	-	48,020	44,151	274,454	401,056
Corporate Sponsorships	-	-	-	-	-	-	-	283,825	283,825
Direct Institutional Support	64,122	-	7,955	47,681	27,398	6,482	38,880	4,475,668	4,668,186
Indirect Facilities & Admin Support	-	-	-	-	-	-	-	938,093	938,093
Concessions	-	-	-	-	-	-	-	1,285	1,285
NCAA Distributions	-	-	-	32,412	34,215	6,049	-	17,666	90,342
Sports Camp Revenues	1,975	-	70,164	48,696	-	1,475	131,497	-	253,807
Athletics Restricted Endowment and Investments Income	-	-	-	-	-	-	-	7,071	7,071
Other Operating Revenue	-	-	-	5,143	5,254	1,267	4,335	2,375	18,374
<b>Total Revenues</b>	<b>110,956</b>	<b>6,612</b>	<b>93,181</b>	<b>133,995</b>	<b>66,867</b>	<b>65,956</b>	<b>221,579</b>	<b>6,461,841</b>	<b>7,160,987</b>
<b>Expenses</b>									
Athletic Student Aid	541,911	158,000	190,380	233,105	242,100	255,700	372,439	-	1,993,635
Guarantees	-	1,000	-	-	-	-	-	-	1,000
Coaching Salaries, Benefits & Bonuses Paid by the College	353,036	141,871	129,194	127,542	144,908	295,959	447,675	-	1,640,185
Support Staff/Administrative Salaries Paid by the College	-	-	-	76	76	10,671	8,767	680,655	700,245
Severance Payments	-	-	-	-	-	-	-	-	-
Recruiting	18,761	9,392	15,855	938	646	19,092	31,693	144	96,521
Team Travel	96,041	31,768	37,080	83,490	83,372	120,839	142,569	13,409	608,568
Equipment, Uniforms, & Supplies	57,362	10,770	19,801	18,298	13,349	76,816	63,467	51,673	311,536
Game Expenses	12,917	14,370	11,500	600	600	30,048	21,965	6,044	98,044
Sports Camp Expenses	2,067	17,757	51,808	38,580	-	35,664	134,528	-	280,404
Direct Facilities, Maintenance & Rental	2,517	279	-	-	-	80	-	12,638	15,514
Spirit Group	-	-	-	-	-	-	-	12,591	12,591
Indirect Facilities & Admin Support	-	-	-	-	-	-	-	938,093	938,093
Memberships and Dues	-	250	-	475	790	1,094	2,830	4,845	10,284
Student Athlete Meals (Non-Travel)	23,930	-	-	-	-	-	-	-	23,930
Other Operating Expenses	16,219	8,076	6,214	1,246	1,832	16,388	22,139	389,382	461,496
<b>Total Operating Expenses</b>	<b>1,124,761</b>	<b>393,533</b>	<b>461,832</b>	<b>504,350</b>	<b>487,673</b>	<b>862,351</b>	<b>1,248,072</b>	<b>2,109,474</b>	<b>7,192,046</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenses</b>	<b>\$ (1,013,805)</b>	<b>\$ (386,921)</b>	<b>\$ (368,651)</b>	<b>\$ (370,355)</b>	<b>\$ (420,806)</b>	<b>\$ (796,395)</b>	<b>\$ (1,026,493)</b>	<b>\$ 4,352,367</b>	<b>\$ (31,059)</b>

**ADAMS STATE UNIVERSITY ATHLETICS DEPARTMENT  
NOTES TO STATEMENT OF REVENUES AND EXPENSES  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying statement of revenues and expenses (unaudited) presents the results of financial activity of the Intercollegiate Athletics Department of Adams State University and are not intended to present the operations of the University as a whole.

The accompanying statement of revenues and expenses has been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenues from operations are classified based on which sport generated the income. Gifts have been classified as specified by the donor. Financial aid support has been classified based on the actual payments made in support of each activity.

**NOTE 3 CAPITAL ASSETS**

Capital assets are recorded at cost for items purchased or at fair market value at the date of acquisition for donated items. The University capitalizes equipment costing \$5,000 or more and having a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 30 years for equipment, 15 to 20 years for building improvements, and 40 years for the buildings. The University Purchasing Director is responsible for controlling property procurement.

**NOTE 4 DEBT**

Certain University bonds payable are related to athletic facilities and improvements. However, the bonds are repaid from College resources other than those reported on the accompanying financial statement and the bonds are not considered direct athletics department debt.